



COMPETITION COMMISSION OF INDIA

(Combination Registration No. C-2020/08/766)

29th September, 2020

Notice under Section 6 (2) of the Competition Act, 2002 filed by GHCL Ltd

CORAM:

Mr. Ashok Kumar Gupta
Chairperson

Ms. Sangeeta Verma
Member

Mr. Bhagwant Singh Bishnoi
Member

Order under Section 31(1) of the Competition Act, 2002

1. On 31st August, 2020, Competition Commission of India (**Commission**) received a notice under Section 6 (2) of the Competition Act, 2002 (**Act**), filed by GHCL Ltd. (**GHCL**) regarding a proposed demerger of Textiles business division of GHCL into its wholly owned subsidiary GHCL Textiles (**GHCL Textiles**) pursuant to the Scheme of Arrangement approved by the Board of Directors of GHCL on 16th March 2020. Further, the Board of Directors of GHCL Textiles also approved the Scheme on 7th July, 2020.
2. The Commission sought certain information(s)/ clarification(s) from the Parties; response to the same was received on 23rd September, 2020.



3. GHCL is a public limited company incorporated in India, listed on the BSE Limited and the National Stock Exchange of India Limited. It is stated to be *inter alia*, engaged in (a) 'Chemical business' which involves manufacture and sale of inorganic chemicals, Sodium Bicarbonate, Industrial Salt and Consumer Products and (b) 'Textile business' which is an integrated setup that supports activities from spinning yarn to weaving, dyeing, printing, and processing until shaping and export of finished products.
4. GHCL Textiles is public limited company incorporated in India, is a wholly owned subsidiary of GHCL and has not initiated any business activity.
5. As per the notice, the proposed combination involves an internal restructuring of GHCL's business by way of a proposed demerger of its Textiles business division into its wholly owned subsidiary company GHCL Textiles. Pursuant to such proposed demerger, GHCL will retain its chemicals and consumer products business and GHCL Textiles will be engaged in the Textiles business. Shareholders of GHCL will receive shares in GHCL Textiles on the basis of swap ratio of 1:1, resulting in mirror shareholding pattern of the GHCL and the GHCL Textiles. The GHCL Textiles will then not remain a subsidiary of GHCL, as the pre-demerger capital held by GHCL in GHCL Textiles will get cancelled as part of the Scheme (**Proposed Combination**). Hereinafter, GHCL and GHCL Textiles are collectively referred to as the "**Parties**".
6. The Parties have submitted that the Proposed Combination does not squarely fall within ambit of the intra-group exemption set out at sub-rule 8 of Schedule 1 of the Competition Commission of India (Procedure in regard to the transaction of business relating to combinations) Regulations, 2011 (**Combination Regulations**), which provides that where a person or enterprise acquires the shares, voting rights or assets of another person or enterprise within the same group (unless the acquired enterprise is jointly controlled by enterprises that are not part of the same group).



7. Further, the Proposed Combination is only a demerger of Textiles business division to an entity that will be, at first, a wholly owned subsidiary of GHCL, and which will have the same set of shareholders as GHCL (in the same proportion as their shareholding in GHCL) once the proposed demerger has been effected. Further, GHCL is not jointly controlled by any other enterprise and no other public shareholder holds any special contractual rights with respect to GHCL.
8. In view of above, it is noted that as a result of the Proposed Combination there will not be any change in competition dynamics in the market in which the Parties operate, and therefore, the same is not likely to raise competition concern in India.
9. Considering the material on record including the details provided in the Notice and the assessment of the Proposed Combination based on the factors stated in Section 20(4) of the Act, the Commission is of the opinion that the Proposed Combination is not likely to have any appreciable adverse effect on competition in India. Therefore, the Commission approves the Proposed Combination under Section 31(1) of the Act.
10. This order shall stand revoked if, at any time, the information provided by the Parties is found to be incorrect.
11. The Secretary is directed to communicate to the Parties accordingly.